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# CFCN COMMUNICATIONS

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**FOURTH ANNUAL REPORT  
DECEMBER 31, 1975**



## **CORPORATE INFORMATION**

### **DIRECTORS AND OFFICERS**

CFCN COMMUNICATIONS LIMITED,  
Calgary

- \*Donald G. Campbell  
Chairman of the Board
- \*Edward W. Chapman  
President
- \*Donald F. Hunter
- \*Robert W. Lamb
- \*J. Edward O'Connor
- \*Sven Ericksen  
Gerald J. Luciani  
Secretary-Treasurer

CFCN TELEVISION LIMITED,  
Calgary

- \*Donald G. Campbell  
Chairman of the Board
- \*Edward W. Chapman  
President
- \*Robert W. Lamb  
Vice-President
- \*Keith Campbell
- \*J. Edward O'Connor
- \*Herbert G. Marshall  
Vice-President/Manager
- Gerald J. Luciani  
Vice-President/Finance and Secretary

### **TRANSFER AGENT AND REGISTRAR**

The Royal Trust Company;  
Toronto, Montreal, Calgary, Vancouver

### **STOCK EXCHANGE LISTINGS**

Toronto Stock Exchange  
Montreal Stock Exchange

THE VOICE OF THE PRAIRIES LIMITED, "CFCN RADIO",  
Calgary

- \*Donald G. Campbell  
Chairman of the Board
- \*Edward W. Chapman  
President
- \*Robert W. Lamb  
Vice-President
- \*Keith Campbell
- \*J. Edward O'Connor
- \*Norman H. Haines  
Vice-President/Manager
- Gerald J. Luciani  
Vice-President/Finance and Secretary

GREATLAKES BROADCASTING SYSTEM LIMITED,  
Kitchener-Chatham

- \*Donald F. Hunter  
Chairman of the Board
- \*Donald G. Campbell  
President
- \*Donald E. Reiffenstein  
Vice-President/General Manager CFCO, Chatham
- \*John F. Larke  
Vice-President/General Manager CHYM-AM/CKGL-FM, Kitchener
- Douglas C. Trowell  
Executive Vice-President
- Dorman G. Ulens  
Secretary-Treasurer

### **\*Directors**





## FINANCIAL HIGHLIGHTS

% Increase (Decrease)	1974	1975
	(thousands of dollars)	
13.9	<u>\$9,440</u>	<u><b>\$10,755</b></u>
13.9	6,587	<b>7,504</b>
24.1	<u>1,378</u>	<u><b>1,710</b></u>
24.1	<u>\$ .92</u>	<u><b>\$ 1.14</b></u>
—	660	<b>660</b>
—	\$ .44	<b>\$ .44</b>
27.2	2,966	<b>3,773</b>
(7.5)	681	<b>630</b>

Revenues

Operating Expenses (including Depreciation)

Net Income for the year

— Total

— Per Share

Dividends — Total

— Per Share

Working Capital

Capital Expenditures

## QUARTERLY NET INCOME PER SHARE COMPARISON

% Increase (Decrease)	1974 (Note 1)	1975
55.2	\$ .14	<b>\$ .22</b>
13.4	.23	<b>.26</b>
(8.2)	.20	<b>.18</b>
36.4	.35	<b>.48</b>
24.1	\$ .92	<b>\$ 1.14</b>

1st Quarter

2nd Quarter

3rd Quarter

4th Quarter

Total for the Year

Note 1 - Net Income per share as reported in the 1974 quarterly reports has been revised to reflect the 10% Federal Income Tax surcharge introduced in the November 18, 1974 Budget, retroactive to May 1, 1974.

## **ANNUAL REPORT TO SHAREHOLDERS**

Nineteen seventy-five was an unusual year for your company, because the usual and traditional patterns of the advertising community appeared to change considerably.

Our first quarter was extraordinarily good. The second and third quarters levelled out considerably, but a strong surge occurred in the fourth quarter. We believe this was due to the uncertainty of advertisers in the economy and their desire for flexibility.

Our year-end came in as projected, and your directors were again pleased to declare an extra dividend of 8c per share, bringing the total declared in 1975 to 44c per share, the same as 1974 and complying with the Federal Government's Anti-Inflation Guidelines. Our intention of paying approximately 50% of our after tax profit in dividends obviously cannot be maintained at this time.

### **CFCN TELEVISION, CALGARY**

Our revenues for the year increased 11%, and the expenses before taxes were up 11%. Our major increases were in payroll costs, program rights, production and the cost of extending the CFCN and CTV signal into Medicine Hat and Southeastern Alberta.

CFCN Television produced an average of 23 hours weekly local programming during 1975 originating from our Calgary and Lethbridge production facilities.

In the spring of 1975, we ran the first Calgary telethon with the Kinsmen Club of Calgary, which raised more than \$600,000 for the Alberta Children's Hospital.

Television received an honourable mention for local programming in the Media Human Rights Awards of B'nai B'rith. We were also pleased to have produced a documentary of the Drumheller Badlands which was included in the episode of "Kidstuff" which won first prize for CTV at the New York International Film Festival.

With the co-operation of CHAT-TV, Medicine Hat, we went on the air with a new re-broadcaster to serve Southeastern Alberta. There have been a few problems, primarily with the

signal quality caused by using a temporary microwave system. This problem should be overcome upon construction of our permanent delivery system from Lethbridge to Medicine Hat.

CBC Television went on the air in Calgary in the fall of 1975 with their own transmitter. It is too early to determine accurately the total long-term effect this new signal will have on the Calgary market.

### **CFCN-AM RADIO, CALGARY**

Our revenues for the year increased by 22% and our expenses by 19%. Our major cost increases were in payroll costs, FM application expenses, establishing the "Radio West" image, improved programming and news.

We have shifted from a middle of the road sound that gave us a popularity with listeners over 50 to an adult contemporary sound with a broadcast target of 20-40 years of age. The audience and client acceptance of the new format is gratifying.

CFCN Radio again received a special citation from the Calgary Safety Council for our helicopter Trafficwatch service.

We have made application to the CRTC for an FM licence to serve Calgary and Southern Alberta and we expect this application to be heard in Edmonton at the CRTC hearings in April.

CFCN Radio has the broadcast rights for the Western Conference games of the Canadian Football League in Calgary and Southern Alberta, and, as a result, we were very active throughout the 1975 Grey Cup activities in Calgary. For the first time anywhere, CFCN Radio broadcast the Schenley Awards. We were on location daily throughout Grey Cup Week from the Calgary Convention Centre, which was the hub of the activity throughout the festivities, in addition of course, to broadcasting the game.

### **CHYM-AM RADIO, KITCHENER**

Net sales for CHYM-AM showed a 10% increase for 1975. Operating costs were below target.



CHYM-AM and FM received several industry awards, including two honourable mentions in the SoundCraft '75 competition for commercial writing. We also received an honourable mention in the Media Club of Canada News Awards of Excellence.

CHYM-AM enjoyed a dramatic audience increase in the fall BBM ratings, consolidating our #1 market position.

An application for a new, improved frequency for our AM station has been filed with the CRTC.

### **CKGL-FM RADIO, KITCHENER**

The call letters for the FM radio station were changed from CHYM-FM to CKGL-FM at the end of 1975, as part of the continuing policy of separate identity for the station. Sales income increased 28% and operating costs were held under budget.

A variety of programming and commercial policies have been adopted in preparation for the new regulations governing FM radio stations in Canada. This will ensure programming continuity.

Listener response has been excellent.

### **CFCO-AM RADIO, CHATHAM**

Nineteen seventy-five was an active and successful year for CFCO, Chatham. The economy of both the agricultural and industrial communities continued strong and as a result CFCO enjoyed a 10% increase in sales revenues.

Added to the community service programming for the benefit of local sports fans, was coverage of the Toronto Agronaut Football games and the mid-week hockey games of the Toronto Maple Leafs.

The consistency and effectiveness of the programming over the past two years is evidenced in the fact that our audience has shown a 22% gain in total weekly reach.

Technical improvements are continuing. A new 10,000 watt transmitter was installed in September. Remodelling of the studio block has

also taken place to accommodate the installation of new control facilities.

### **PRODUCTION**

Production for the CTV Network increased with 12 Canadian Football League originations from the Prairies, compared to 10 in 1974. New activity included producing the Western Canada Lottery, the Air Canada Sports Awards, and the Alberta Summer Games.

### **OUTLOOK**

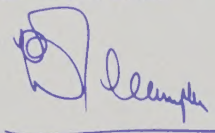
Our major concern for 1976 is, of course, the Federal Government's new Anti-Inflation Act and regulations. The effect on the company's prices, profits and employee compensation is not yet clear, owing to uncertainties as to interpretation and the need to develop appropriate data from company records. Your company supports the steps the Federal Government has taken to combat inflation.

A company can be more successful than average only if it is able to attract employees of superior calibre. CFCN is fortunate to have such employees. Their qualities as well as their hard work over the past year are very much appreciated.

On behalf of the Board of Directors,

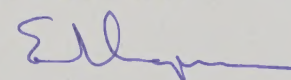
DONALD G. CAMPBELL

Chairman



EDWARD W. CHAPMAN

President



Calgary, Alberta  
January 30, 1976

# CFCN COMMUNICATIONS LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended  
December 31,  
1974                      1975  

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(thousands of dollars)

\$5,253	<b>\$ 5,846</b>
3,416	<b>3,975</b>
597	<b>759</b>
144	<b>118</b>
30	<b>57</b>
<hr/> 9,440	<hr/> <b>10,755</b>

### Revenues:

#### Broadcasting —

Television

Radio

Production and other

Income from short term investments —

Affiliated companies

Other

### Expenses:

Operating, except depreciation

Depreciation

6,232	<b>7,143</b>
355	<b>361</b>
<hr/> 6,587	<hr/> <b>7,504</b>
2,853	<b>3,251</b>
1,475	<b>1,605</b>
1,378	<b>1,646</b>
—	<b>64</b>
<hr/> 1,378	<hr/> <b>1,710</b>
1,383	<b>2,101</b>
(660)	<b>(660)</b>
<hr/> \$2,101	<hr/> <b>\$ 3,151</b>
<hr/> \$ 0.92	<hr/> <b>\$1.14</b>

Income from operations

Income taxes

Net income from operations

Equity in undistributed earnings of affiliated company (Note 2)

Net income for the year

Retained earnings, beginning of year

Dividends paid or payable

Retained earnings, end of year

Earnings per common share

See accompanying notes



# CFCN COMMUNICATIONS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31,  
1974                      **1975**

(thousands of dollars)

\$ 1,696	<b>\$ 2,317</b>
2,430	<b>2,470</b>
128	<b>181</b>
4,254	<b>4,968</b>
196	<b>210</b>
458	<b>458</b>
518	<b>546</b>
4,440	<b>5,042</b>
5,416	<b>6,046</b>
3,101	<b>3,462</b>
2,315	<b>2,584</b>
9,389	<b>9,389</b>
<b>\$16,154</b>	<b>\$17,151</b>

\$ 625	<b>\$ 690</b>
408	<b>250</b>
255	<b>255</b>
1,288	<b>1,195</b>
233	<b>273</b>
12,532	<b>12,532</b>
2,101	<b>3,151</b>
14,633	<b>15,683</b>
<b>\$16,154</b>	<b>\$17,151</b>

### ASSETS

#### CURRENT:

Cash and short term deposits  
Accounts receivable  
Prepaid expenses

#### INVESTMENTS AND ADVANCES (Note 2)

#### FIXED:

Land  
Buildings  
Broadcasting equipment

Less accumulated depreciation

#### GOODWILL

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### CURRENT:

Accounts payable  
Income taxes payable  
Dividend payable

#### DEFERRED INCOME TAXES

#### SHAREHOLDERS' EQUITY:

Share capital (Note 3) —

Authorized: 3,000,000 common shares without par value  
Issued: 1,500,000 common shares

Retained earnings

#### COMMITMENTS (Note 4)

EDWARD W. CHAPMAN

Director

J. EDWARD O'CONNOR

Director

On behalf of the Board:

See accompanying notes

# CFCN COMMUNICATIONS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended  
December 31,  
1974                      1975

(thousands of dollars)

\$1,378	<b>\$1,646</b>
355	<b>361</b>
12	<b>40</b>
	<b>50</b>
1,745	<b>2,097</b>

### Source of working capital:

#### Operations —

Net income from operations

Charges against net income not requiring an outlay of funds

Depreciation

Deferred income taxes

Repayment of advances to affiliates

### Application of working capital:

Additions to fixed assets

Dividends paid or payable

681	<b>630</b>
660	<b>660</b>
1,341	<b>1,290</b>
404	<b>807</b>
2,562	<b>2,966</b>
\$2,966	<b>\$3,773</b>

Increase in working capital

Working capital, beginning of year

Working capital, end of year

\$4,254	<b>\$4,968</b>
1,288	<b>1,195</b>
\$2,966	<b>\$3,773</b>

### Represented by:

Current assets

Less current liabilities

*See accompanying notes*

## AUDITORS' REPORT

To the Shareholders of  
CFCN Communications Limited

We have examined the consolidated statement of financial position of CFCN Communications Limited as at December 31, 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1975, the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change described in Note 2.

Calgary, Canada  
January 30, 1976

*Clarkson, Gordon & Co.*

Chartered Accountants



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1975

### 1. Accounting policies

#### A. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

CFCN Television Limited  
CFCN Productions Limited  
The Voice of the Prairies Limited  
Greatlakes Broadcasting System Limited

#### B. Investments and advances

The Company's investment in CTV Television Network Ltd. is carried at cost and the Company's investment in Paul Mulvihill Limited is carried on the equity basis (Note 2).

#### C. Fixed assets and depreciation

The Companies carry fixed assets at cost and provide depreciation on a straight-line basis at the following rates which are designed to write off the assets concerned over their estimated useful lives:

Buildings .....	5%
Broadcasting equipment .....	10%

#### D. Goodwill

Goodwill consists of the excess of the cost of acquired subsidiaries over the value of their net tangible assets. As goodwill is considered to have ongoing value, it is carried at cost.

### 2. Investments and advances (thousands of dollars)

	1975	1974
(a) CTV Television Network Ltd. —		
Common and preferred shares .....	\$ 63	\$ 63
Special irredeemable participating debenture ...	58	58
(b) Paul Mulvihill Limited —		
Common shares .....	64	—
Advances .....	25	75
	<u>\$210</u>	<u>\$196</u>

At December 31, 1974 the investment in common shares of Paul Mulvihill Limited was carried at cost which approximated the underlying equity in the investment. In 1975 the Company adopted the equity method of accounting for this investment. Had the cost method been continued, 1975 earnings would have been \$64 (\$.04 per share) less than reported in these financial statements.

### 3. Share transfer restriction

The directors of the Company may refuse to register a transfer of shares in the capital of the Com-

pany if the registration of such transfer might, in the opinion of the directors, adversely affect the status of the Company or any of its subsidiaries to hold a broadcasting licence under the Broadcasting Act (Canada).

### 4. Commitments (thousands of dollars)

Subsidiary companies are committed to make total lease rental payments of \$469 under leases expiring from 1976 to 1987. Lease rental payments for the years 1976 to 1980 are as follows: 1976 - \$63; 1977 - \$65; 1978 - \$53; 1979 - \$50; 1980 - \$50.

### 5. Remuneration of directors and senior officers (thousands of dollars)

The aggregate direct remuneration paid during the year to the five directors and three senior officers of the Company was \$104 (1974 - \$96).

### 6. Anti-Inflation Program

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are presently scheduled to be in force until December 31, 1978. Under this legislation the Company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and shareholder dividends. The effects on the Company of the Regulations on prices, profit margins and employee compensation are not yet clear owing to uncertainties as to interpretation and the need to develop appropriate data from the Company's records. Dividends to the Company's common shareholders during the year ending October 13, 1976 may not exceed \$.44 per share.

### 7. Event subsequent to year-end (thousands of dollars)

Management has agreed, subject to shareholder approval, to acquire through a wholly-owned subsidiary, CFCN Television Limited, a 40.91% interest in Maclean-Hunter Holdings Limited, a company incorporated to acquire 3,424,098 shares (42%) of Maclean-Hunter Limited which owns 60% of the outstanding common shares of CFCN Communications Limited.

The total investment in Maclean-Hunter Holdings Limited to be acquired by CFCN Television Limited will be as follows:

933,900 Shares .....	\$ 6,864
8% Income Debenture .....	4,182
Total investment .....	<u>\$11,046</u>

This investment will be financed partially through the utilization of existing surplus working capital and the remainder by a term bank loan.



# CFCN COMMUNICATIONS

(INCORPORATED DECEMBER 3, 1971)

## FOUR-YEAR SUMMARY

Year Ended December 31,				
1972	1973	1974	1975	
(thousands of dollars)				
				<b>Operating Results</b>
				Revenue
				Broadcasting
				Television
				Radio
				Production, Interest, Other
\$ 3,845	\$ 4,311	\$ 5,253	\$ 5,846	
2,644	2,765	3,416	3,975	
640	731	771	934	
7,129	7,807	9,440	10,755	Total Revenue
4,835	5,250	6,232	7,143	Operating Expenses, except Depreciation
2,294	2,557	3,208	3,612	Operating Income
293	319	355	361	Depreciation
2,001	2,238	2,853	3,251	Income from Operations
954	1,126	1,475	1,605	Income Taxes
1,047	1,112	1,378	1,646	Net Income from Operations
—	—	—	64	Equity in Undistributed Earnings of Affiliated Company
1,047	1,112	1,378	1,710	Net Income
14.7	14.2	14.6	15.3	Net Income from Operations as a Percentage of Revenue
1,364	1,412	1,745	2,047	Net Flow of Funds from Operations
330	480	660	660	Dividends Paid
				<b>Year-end Financial Position</b>
\$ 2,754	\$ 3,351	\$ 4,254	\$ 4,968	Current Assets
723	789	1,288	1,195	Less: Current Liabilities
2,031	2,562	2,966	3,773	Working Capital
3.81:1	4.25:1	3.30:1	4.16:1	Working Capital Ratio
121	196	196	210	Investments
1,982	1,989	2,315	2,584	Fixed Assets — Net
9,389	9,389	9,389	9,389	Goodwill
240	221	233	273	Deferred Income Taxes
13,283	13,915	14,633	15,683	Shareholders' Equity
				<b>Per Share Data</b>
				(Based on 1,500,000 Shares Outstanding)
\$ .70	\$ .74	\$ .92	\$ 1.14	Net Income
\$ .91	\$ .94	\$ 1.16	\$ 1.36	Net Flow of Funds from Operations
\$ .22	\$ .32	\$ .44	\$ .44	Dividends Paid



## REVENUE COMPARISON

(thousands of dollars)

% Increase	1974	%	1975	%
11.3	\$5,253	55.6	<b>\$ 5,846</b>	<b>54.4</b>
16.4	3,416	36.2	<b>3,975</b>	<b>37.0</b>
21.1	771	8.2	<b>934</b>	<b>8.6</b>
13.9	\$9,440	100.0	<b>\$10,755</b>	<b>100.0</b>

Television

Radio

Production, Interest, Other

Total

## DISPOSITION OF REVENUE

(thousands of dollars)

% Increase	1974	%	1975	%
14.6	\$6,232	66.0	<b>\$ 7,143</b>	<b>66.4</b>
1.7	355	3.8	<b>361</b>	<b>3.4</b>
8.8	1,475	15.6	<b>1,605</b>	<b>14.9</b>
—	660	7.0	<b>660</b>	<b>6.1</b>
37.3	718	7.6	<b>986</b>	<b>9.2</b>
13.9	\$9,440	100.0	<b>\$10,755</b>	<b>100.0</b>

Operating Expenses

Depreciation

Income Taxes

Dividends

Retained in Company

Total

**CFCN Communications Limited**

Broadcast House  
Post Office Box 7060  
Postal Station "E"  
Calgary, Alberta  
T3C 3L9